R590. Insurance, Administration. (Effective 1-31-06)
R590-85. Individual Accident and Health Insurance and Individual and Group Medicare Supplement Rates.
R590-85-1. Purpose and Authority.

The purpose of this rule is to implement Subsections 31A-22-605(4)(e) and 31A-22-620(3)(e) by establishing minimum loss ratios and implementing procedures for the filing of all individual accident and health insurance and all Medicare supplement premium rates, including the initial filing of rates, and also any subsequent rate changes. This rule is promulgated pursuant to the authority vested in the commissioner by Subsection 31A-2-201(3)(a).

R590-85-2. Applicability and Scope.

(1) This rule shall apply to:

(a) all individual accident and health insurance policies except as excluded under Subsection 2; and

(b) certificates issued under group Medicare supplement policies.

(2) This rule does not apply to:

(a) policies subject to Chapter 30 that comply with Rule R590-167; and

(b) long-term care policies subject to Rule R590-148-21.

(3) The requirements contained in this rule shall be in addition to any other applicable rules previously adopted.

R590-85-3. Definitions.

(1) “Average Annual Premium Per Policy” means the average computed by the insurer based on an anticipated distribution of business by all applicable criteria having a price difference, such as age, sex, amount, dependent status, rider frequency, etc., except assuming an annual mode for all policies, for example, the fractional premium loading may not affect the average annual premium or anticipated loss ratio calculation.

(2) “Conditionally Renewable” (CR) means renewal can be declined by class, geographic area or for stated reasons other than deterioration of health.

(3) “Guaranteed Renewable” (GR) means renewal cannot be declined by the insurance company for any reason, but the insurance company can revise rates on a class basis.

(4) “Non-Cancelable” (NC) means renewal cannot be declined nor can the rates be revised by the insurance company.

(5) “Optionally Renewable” (OR) means renewal is at the option of the insurance company.

R590-85-4. General Requirements.

(1) When Rate Filing is Required.

(a) Every filing for a policy, certificate or endorsement affecting benefits shall be accompanied by a rate filing that complies with this rule.

(b) A rate filing is not required for an endorsement that has no rating effect.

(c) Any subsequent addition to or change in rates applicable to the policy or endorsement shall also be filed prior to use.

(2) General Contents of All Rate Filings. Each rate submission shall include:

(a) rate sheets for current and proposed rates, if applicable, that are clearly identified;

(b) actuarial memorandum describing the basis on which rates were determined, which includes:

(i) description of the policy, benefits, renewability, general marketing methods, and issue age limits;

(ii) description of how rates were determined, including a general description and source of each assumption used;

(iii) estimated average annual premium per policy for Utah;

(iv) anticipated loss ratio of the present value of the expected benefits to the

present value of the expected premiums over the entire period for which rates are computed to provide coverage. Interest shall be used in the calculation;

(v) minimum anticipated loss ratio presumed reasonable in R590-85-5(1); and

(vi) signed certification by a qualified actuary which states that to the best of the actuary's knowledge and judgment the rate filing is in compliance with the applicable laws and rules of the state of Utah and the benefits are reasonable in relation to the premiums charged; and

(c) a statement that the rates have been filed with and approved by the home state. If approval is not required by the home state, then alternative information which includes a list of the states to which the rates were submitted, the date submitted, and any responses, must be included.

(3) Previously Filed Form. Filing a rate change for a previously filed rate shall include the following:

(a) a statement of the scope and reason for the change;

(b) a description of how revised rates were determined, including the general description and source of each assumption used;

(c) an estimated average annual premium per policy in Utah, before and after the proposed rate increase;

(d) a comparison of Utah and average nationwide premiums, for representative rating cells based on the Utah distribution of business;

(e) a comparison of revised premiums with current scale;

(f) a statement as to whether the filing applies to new business, in-force business, or both, and the reasons;

(g) a detailed history of national experience, which includes the data in Subsection 4(4) that shows on a yearly and durational basis:

(i) premiums received;

(ii) earned premiums;

(iii) benefits paid;

(iv) incurred benefits;

(v) increase in active life reserves;

(vi) increase in claim reserves;

(vii) incurred loss ratio;

(viii) cumulative loss ratio; and

(ix) any other available data the insurer may wish to provide.;

(h) detailed history of Utah experience, which includes the data in Subsection 4(4) that shows on a yearly basis:

(i) earned premiums;

(ii) incurred benefits;

(iii) incurred loss ratio; and

(iv) cumulative loss ratio;

(i) anticipated nationwide future loss ratio, which includes:

(i) projected premiums;

(ii) projected claims; and

(iii) projected loss ratio; and

(iv) assumptions and calculations. Interest shall be used in the calculation;

(j) anticipated Utah future loss ratio, which includes:

(i) projected premiums;

(ii) projected claims; and

(iii) projected loss ratio; and

(iv) description of assumptions and calculations. Interest shall be used in the calculation;

(k) cumulative past and projected future loss ratio and description of the calculation;

(l) the number of policyholders residing in the state of Utah; and

(m) the date and magnitude of all previous rate changes.

(4) Experience Records

(a) An insurer shall maintain records of premiums collected, earned premiums, benefits paid, incurred benefits and reserves for each calendar year, for each policy form, and applicable endorsements. The records shall be maintained as required

for the Accident and Health Policy Experience Exhibit.

(i) Separate data may be maintained for each endorsement to the extent appropriate.

(ii) Experience under policies that provide substantially similar coverage may be combined. The data shall be for all years of issue combined, for each calendar year of experience since the year the form was first issued.

(b) A rate revision must provide the information required in Subsection (4)(a) on both a national and state basis.

(5) Evaluating Experience Data. In determining the credibility and appropriateness of experience data, due consideration must be given to all relevant factors, such as:

(a) statistical credibility of premiums and benefits, for example low exposure or low loss frequency;

(b) experience and projected trends relative to the kind of coverage, for example: persistency, inflation in medical expenses, or economic cycles affecting disability income experience;

(c) concentration of experience at early policy durations where select morbidity and preliminary term reserves are applicable and where loss ratios are expected to be substantially lower than at later policy durations; and

(d) the mix of business by risk classification.

(6) Implementation of a filed rate increase must be initiated within 12 months from the filed date. A company forfeits the right to implement an increase if they fail to initiate implementation within 12 months of the filed date.

(7) A filing may be rejected or prohibited if the company fails to submit all required information.

R590-85-5. Reasonableness of Benefits in Relation to Premium.

(1) With respect to a new form under which the average annual premium per policy is expected to be at least $200, benefits shall be deemed reasonable in relation to premiums provided the anticipated loss ratio is at least as great as shown below in this subsection:

(a) Medical Expense Coverage. The minimum loss ratio for:

(i) an optionally renewable form is 60%;

(ii) a conditionally renewable form is 55%;

(iii) a guaranteed renewable form is 55%; and

(iv) a non-cancelable form is 50%.

(b) Income Replacement. The minimum loss ratio for:

(i) an optionally renewable form is 60%;

(ii) a conditionally renewable form is 55%;

(iii) a guaranteed renewable form is 50%; and

(iv) a non-cancelable form is 45%.

(c) For a policy form, including endorsements, under which the expected average annual premium per policy is:

(i) $100 or more but less than $200, subtract five percentage points; or

(ii) less than $100 subtract 10 percentage points.

(d) For Medicare supplement policies, benefits shall be deemed reasonable in relation to premiums provided the anticipated loss ratio meets the requirements of Rule R590-146-14.

(2) Rate Changes. With respect to the filing of a rate change for a previously filed form, benefits shall be deemed reasonable in relation to premiums provided the standards of this subsection are met.

(a) Both (i) and (ii) as follows shall be at least as great as the standards in Subsection 5(1) and shall include interest in the calculation of benefits, premiums and present values:

(i) the anticipated loss ratio over the entire period for which the changed rates are computed to provide coverage; and

(ii) the ratio of (A) and (B); where

(A) is the sum of the accumulated benefits, from the original effective date of the form to the effective date of the change, and the present value of future

benefits; and

(B) is the sum of the accumulated premiums from the original effective date of the form to the effective date of the change and the present value of future premiums, the present values to be taken over the entire period for which the changed rates are computed to provide coverage, and the accumulated benefits and premiums to include an explicit estimate of the actual benefits and premiums from the last date an accounting was made to the effective date of the change.

(b) If an insurer wishes to charge a premium for policies issued on or after the effective date of the change, which is different from the premium charged for the policies issued prior to the change date, then with respect to policies issued prior to the effective date of the change the requirements of Subsection R590-85-2(a) must be satisfied, and with respect to policies issued on and after the effective date of the change, the standards are the same as in Subsection 5(1), except that the average annual premium shall be determined based on an actual rather than an anticipated distribution of business.

(c) Companies must review their experience periodically and file rate changes, as appropriate, in a timely manner to avoid the necessity of later filing of exceptionally large rate increases.

R590-85-6. Enforcement Date.

The commissioner will begin enforcing the revised provision of this rule 45 days from the rule's effective date.

R590-85-7. Separability.

If any provision of this rule or the application of it to any person is for any reason held to be invalid, the remainder of the rule and the application of any provision to other persons or circumstances may not be affected.

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